

ISSUE DATE: July 14, 1995

DOCKET NO. E-017/M-95-307

ORDER CERTIFYING MAXIMUM PRACTICABLE IMPLEMENTATION OF APPROVED  
LEAST COST PLAN AND THAT SAVINGS CLAIMS ARE CORRECT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm  
Tom Burton  
Joel Jacobs  
Marshall Johnson  
Dee Knack

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Request of Otter Tail  
Power Company for Commission Certification  
of Eligibility for Conservation and Renewable  
Energy Allowances from the Energy  
Conservation and Renewable Reserve Under  
40 CFR 73.82

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**PROCEDURAL HISTORY**

On May 17, 1993, Otter Tail Power Company (OTP or the Company) applied to the Commission for certification that OTP was subject to the Commission's least cost planning process, and that the process meets the requirements of 40 CFR 73.82 (a) (4), and (5) of the Environmental Protection Agency (EPA) rules governing the Federal Clean Air Act Amendments (CAAA).

The Commission sent a notice in Docket No. E-999/CI-91-923 asking interested persons to address the generic issue of whether the Commission's integrated resource planning process meets the requirements of 40 CFR 73.82 (a) (4) (I-v) of the EPA rules. The Commission received comments from six parties.

On July 23, 1993, the Commission issued an Order finding that its resource planning process governed by Minn. Rules, Chapter 7843 is a "least cost planning process" as that term is used in 40 CFR 73.82 (a) (4) and that it meets the requirements for such a process set forth in paragraphs (I) through (v) of that section. The Commission's finding is generic and applies to all major investor owned electric utilities subject to the Commission's resource planning rules. The Order further stated that the Commission would separately review specific requests by utilities for certification of eligibility for allowances, either on an *ex parte* basis or, if deemed necessary, allow for comment.

On April 7, 1995, OTP filed a request that the Commission complete Step 12 of the Company's application to the EPA Conservation and Renewables Reserve for 90 allowances by certifying that

- OTP's least-cost plan or least cost planning process meets the requirements of 40 CFR 73.82 (a)(4), (5), (6), and (7); and
- the Company's verification procedures meet the ratemaking entity's (the Commission's) requirements and the information and calculations contained in the Company's application form are correct and accurate.

On May 8, 1995, the Minnesota Department of Public Service (the Department) filed its comments regarding OTP's request. The Department stated that it believed the Company was implementing its resource plan to the maximum extent practicable and that the Commission could certify that the Company's verification procedures meet the Commission's requirements. Accordingly, the Department recommended that the Commission certify an application for 89.8 tons of avoided SO<sub>2</sub> emissions (90 allowances) from the Energy Conservation and Renewable Energy Reserve.

On June 29, 1995, the Commission met to consider this matter.

### **FINDINGS AND CONCLUSIONS**

The Commission has previously found, in its July 23, 1993 Order in Docket No. E-999/CI-91-923, that OTP is subject to a least cost planning process as defined in the Act. Therefore, the two remaining findings that the Commission must make in order to provide the requested certification are

- 1) that the Company is implementing that process to the maximum extent practicable and
- 2) that the Company's claims for energy savings are correct and accurate.

#### **A. Maximum Practicable Implementation**

In previous Orders, the Commission has found that the term "maximum practicable implementation" means implementation of the Company's Commission-approved integrated resource plan and execution of whatever steps are called for in that plan according to the schedule adopted in the plan. Completion of the plan, for example, is not required until the end of the plan time period. Being "on time" with respect to the plan at the moment that maximum implementation is being assessed is adequate basis for the finding. The Commission has also clarified that maximum implementation includes compliance with any directives regarding resource plans.

In reviewing OTP's performance in this area, the Commission finds adequate basis for finding

“maximum practicable implementation” and will so certify. The Commission has accepted the Company’s 1994 integrated resource plan (IRP) and finds that with only minor exception the Company has faithfully complied with the Commission’s Order for the Company’s previous resource plan. See Docket No. E-017/RP-92-484.

## **B. Correct Calculation of Energy Savings**

OTP plans to apply for 90 allowances from the Conservation and Renewable Energy Reserve (CRER) based on

- renewable energy purchased from the Potlatch Cogeneration Facility (75.6 tons of SO<sub>2</sub>) and
- energy saved through conservation measures in 1992 and 1993 (14.2 tons of SO<sub>2</sub>).

### **1. Renewable Energy**

The Commission’s review of OTP’s claims for 1993 renewable energy purchases from the Potlatch biomass (wood waste) facility indicates that they are accurate: 37,793 MWh. The Commission has already certified the Company’s 1992 Potlatch purchases (Docket No. E-017/M-93-675) which earned 42 allowances for the Company.

Calculating renewable-related avoided emissions: the EPA allows a utility to convert energy purchased from renewable generation sources to avoid sulfur dioxide emissions by multiplying the amount of energy generated by a pre-determined emissions factor (0.002 tons of SO<sub>2</sub>/MWh). Based on OTP’s total verified purchases from the Potlatch facility (37,793 MWh), the Department has calculated and the Commission finds that the Company is justified in applying for avoided sulfur dioxide emissions of 75.6 tons.

### **2. Conservation Savings**

In its application, OTP claimed 7,111.7 MWh of total energy savings in 1992 and 1993. In its review of the Company’s 1993 and 1994 financial incentive filings, the Commission has previously found that these claimed energy savings claims are correct and accurate. See Commission Orders, dated July 6, 1993 Order in Docket No. E-017/M-91-45 and August 24, 1994 in Docket No. E-017/M-94-345.

The Commission notes that in making its conservation calculations the Company appropriately took into account the fact that all measures do not achieve a full year of savings during the year they were installed. Instead, the Company properly prorated the savings according to the measures’ installation dates.

For certification purposes, further analysis of two of the Company’s conservation projects is

required. The Company's *Refrigerator Buyback* (1992) and *Appliance Recycling* (1993) projects are not listed in Appendix A of 40 CFR Part 73. Consequently, to include savings achieved in these projects, the Commission must certify that they meet the criteria of 40 CFR 73.81(a)(2). By terms of 40 CFR 73.81 (a) (2), a measure may be considered a qualifying energy conservation measure if it

- 1) is a cost-effective demand-side measure consistent with an applicable least-cost plan or least-cost planning process that increases the efficiency of the customer's use of electricity;
- 2) is implemented pursuant to a conservation program approved by the utility regulatory authority, which certifies that it meets the requirements of 40 CFR 73.81 (a) (2) (I) and is not excluded by 40 CFR 73.81 (b); and
- 3) is reported by the applicant in its application to the Reserve.

First criterion: the Commission, having reviewed the *results* of the two measures in question, can certify that they meet the elements of the first criterion. Second criterion: the Commission, having reviewed the *character* of the two measures in question, can certify that they meet the second criterion. They meet the requirements of paragraph (a)(2)(I) and are not excluded by paragraph (b). In addition, these measures were implemented as part of a conservation program approved by the Commission. The third criterion is also met because the Company has reported the savings from these two measures in its application to the Reserve.

Therefore, since the measures in question meet all three criteria, the Commission finds that the energy savings resulting from these measures may be considered when calculating the Company's total conservation-related avoided sulfur dioxide emissions.

**Calculating conservation-derived avoided emissions:** the EPA allows a utility to convert its energy savings into avoided sulfur dioxide emissions by multiplying the amount of energy savings by a pre-determined emissions factor (0.002 tons of SO<sub>2</sub>/MWh). Based on OTP's total conservation-derived energy savings of 7,111.7 MWh, the Department recommends and the Commission finds that the Company is entitled to apply for avoided sulfur dioxide emissions of 14.2 tons.

### **3. Savings Summary**

In sum, the Commission finds that OTP's energy savings claims are correct and accurate. Taken together, OTP's renewable-related avoided emissions (75.6 tons) and conservation-derived avoided emissions (14.2 tons) total 89.8 tons of avoided SO<sub>2</sub> emissions. This amount should entitle the Company to 90 allowances from the Energy Conservation and Renewable Energy Reserve, as requested in its application.

### **ORDER**

1. The Commission's Executive Secretary is hereby authorized to sign Step 12 of OTP's EPA Form 7610-101(1-93). Specifically, the Executive Secretary is authorized to certify the Commission's previous finding in an Order issued July 23, 1993 in Docket No. E-999/CI-91-923 that

- OTP is subject to a least cost planning process as defined in the Clean Air Act Amendments of 1990 (the Act)

and, further, to certify the Commission's findings in this matter, i.e. that

- the Company is implementing its least cost planning process to the maximum extent practicable and
- the Company's claims for energy savings are correct and accurate.

2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)